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SIPDIS

STATE FOR NEA, NEA/IPA, NEA/PPD

WHITE HOUSE FOR PRESS OFFICE, SIT ROOM
NSC FOR NEA STAFF

SECDEF WASHDC FOR USDP/ASD-PA/ASD-ISA
HQ USAF FOR XXXX
DA WASHDC FOR SASA
JOINT STAFF WASHDC FOR PA
CDR USCENTCOM MACDILL AFB FL FOR POLAD/USIA ADVISOR
COMSOCEUR VAIHINGEN GE FOR PAO/POLAD
COMSIXTHFLT FOR 019

JERUSALEM ALSO ICD
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SUBJECT: ISRAEL MEDIA REACTION

SUBJECTS COVERED IN THIS REPORT:

1. Mideast
2. Israeli Politics

Key stories in the media:

All media continued to lead with the situation in and around Gaza.

The media reported that on Wednesday over 50 Qassam rockets and at least a dozen mortar shells landed in Sderot and its surroundings, while five Palestinians were killed in IDF air strikes. Three of the Palestinians were civilians who were killed when a missile missed its target. The media quoted Defense Minister Ehud Barak and other defense officials as saying that Israel will step up operations in Gaza if the rocket barrages continue. Maariv reported that the political echelon has ordered the defense establishment to hold off on large-scale operations until the spring. Senior Hamas official Ismail (or Osama) El-Muzeini warned in an interview with Israel TV on Wednesday that the ongoing IDF raids on the Gaza Strip could turn negotiations over the release of abducted soldier Gilad Shalit into a "Ron Arad affair." The warning was in reference to the IAF navigator who has been missing in action since his plane went down over Lebanon in 1986. El-Muzeini, who is overseeing the Shalit matter for the group, said that if the raids continued, Hamas would cut off all contacts with Israel over the release of Shalit. Israel Radio assessed that such a scenario was unlikely, given Shalit's importance to Hamas. Ha'aretz quoted Hamas's exiled leader Khaled Mashal as saying that recent IDF operations in the coastal strip also made Hamas less likely to negotiate any truce with Israel. Speaking to Israeli leaders, Mashal said: "What you are doing will deny you of any plan you could be betting on: No exchange for Gilad Shalit and no truce." Israel Radio reported that senior Palestinian negotiator Saeb Erekat told the London-based Ash-Sharq Al-Awsat that the PA cannot continue to talks with Israel as long as raids into Gaza continue.

Israel Radio and the leading Internet news service Ynet reported that this morning Israel's security establishment held a successful rocket systems test at the Palmachim Air Force Base (on the Mediterranean coast, near Rishon le-Zion), adding a propulsion system to a test-missile in order to review its operation.

Following Yisrael Beiteinu's decision to leave the government, some media touted the idea of new Knesset elections in 2008. Ha'aretz quoted National Infrastructure Minister Binyamin Ben-Eliezer (Labor) as saying on Wednesday that Yisrael Beiteinu's decision actually helps Labor to be a partner in reaching a peace agreement and that the party must not miss the opportunity. Ha'aretz quoted other senior Labor officials as saying that the party's Chairman Ehud Barak could not ignore the Winograd report and that he would look to find a replacement within Kadima for Olmert as a way to continue in government until early elections could be held. But Barak's advisors are continuing to repeat that only after the report is published will he decide on the matter, based on national and security concerns. Speaking on Israel Radio this morning, former Labor Party cabinet minister Moshe Shahal recalled that the law does not allow Barak, who is not a Knesset member, to become prime minister. The Jerusalem Post quoted Meretz-Yahad Chairman Yossi Beilin as saying on Wednesday that his party will support Olmert's coalition from the outside but not join it.

The Jerusalem Post quoted Shas sources as saying following conversations with the Prime Minister's Office that PM Ehud Olmert intends to accept Shas's demand that negotiations on the fate of Jerusalem be set aside until the end of the Annapolis diplomatic process. Speaking on Israel Radio on Wednesday, Shas leader and Industry, Trade, and Labor Minister Eli Yishai stated his belief that his party will quit the government by the end of this year.

Maariv quoted senior Likud members as saying that a merger of their party with Yisrael Beiteinu is possible, despite Yisrael Beiteinu leader Avigdor Lieberman's statement on Wednesday that the chances for such a development are close to nil.

Yom Leyom reported that President Bush told cabinet minister Eli Yishai during their meeting in Jerusalem that he empathizes with the residents of Sderot.

Yediot quoted Mahmoud Zahar, whose son was killed in an IAF raid on Tuesday, as saying that Gilad Shalit's father Noam sent him his condolences.

Major media reported that on Wednesday Israeli Arab politicians demanded that Yisrael Beiteinu be outlawed, after Avigdor Lieberman said that Israeli Arabs are "more dangerous" than Hamas's Khaled Mashal or Hizbullah's Nasrallah.

The Jerusalem Post quoted the Civil Administration as saying that it filed a complaint with the Foreign Ministry against U.S. Consul-General Jacob Walles after the diplomat refused to roll down his window or open his door and show identification papers on Wednesday. The newspaper quoted the Foreign Ministry as saying that it had not yet received a complaint. However, The Jerusalem Post quoted a U.S. official as saying that Walles had shown identification through the car window but that he refused to open the door. The daily reported that after a short standoff at the Beit El checkpoint and after Ambassador Richard Jones got involved, Civil Administration head Brig. Gen. Yoav Mordechai authorized Walles to enter Ramallah.

All media reported that on Wednesday oligarch politician Arkady Gaidamak arranged a new recreational trip for Sderot children.

Maariv reported that Professors Uzi Arad and Gideon Biger of the Interdisciplinary Center Herzliya (IDC) will next week present to the Eighth Herzliya Conference a plan involving regional territorial swaps between Israel and the PA, as well as between Syria and Israel, Syria and Lebanon, Israel and Egypt, and Egypt and Palestine.

Media reported that on Wednesday a former Border Police officer was convicted of manslaughter in the death of a Palestinian man during an October 2006 search in Jaffa for people without entry permits.

The Jerusalem Post reported that, while rejecting the idea of Israel or other countries in conflict joining NATO, five former Western defense chiefs called on Wednesday for the alliance and the EU to create a joint security "directorate" to address global terrorism and the challenges posed by Iran and China.

Yediot reported that the U.S. refuses to grant a visa to former defense minister Yitzhak Mordechai, who was indicted for sexual misconduct. The newspaper reported that even the Prime Minister's Office was unable to rescind the decision.

The media cited data published by the GOI's Central Bureau of Statistics according to which tourism in 2007 was up 25% over the previous year, and up 20% over 2005, with the country drawing a total of 2.3 million visitors. U.S. tourists were the most frequent visitors, with 527,000 (a record number), or about a quarter of all entries.

Ha'aretz reported that the Eilat-Ashkelon Pipeline Company -- a privately-owned firm owned jointly by Israel and the government of Iran (it was established during the Shah's rule and since the revolution, Iran has stopped involvement in the venture) -- is leading an international initiative to channel crude oil from Johan in southeast Turkey to eastern Asia. A memorandum of understanding is expected to be signed within three months. The oil would be pumped in Georgia and Azerbaijan, and be brought to Turkey by pipeline. From Turkey it will be shipped by tanker to Ashkelon, whence it would be transported by pipeline to Eilat. In Eilat, the oil will be loaded onto a new set of tankers for transportation to eastern Asia.

Ha'aretz reported that Teva Pharmaceuticals is bolstering its marketing and sales activities for its inhalers, made by Ivax. The firm has signed an agreement with Europe's UCB to jointly market Teva's products that treat respiratory diseases in the U.S.

Ha'aretz ran a feature on renowned American jazz and blues musician Amina Claudia Myers, who will perform in Israel twice next week.

11. Mideast:

Summary:

The independent, left-leaning Ha'aretz editorialized: "While the IDF is preparing for [a large-scale] operation [in the Gaza Strip], the government must focus on preparing the ground for a political move at its conclusion. Until Ehud Olmert, Tzipi Livni, and Ehud Barak do this, they must not send the IDF into the Gaza Strip."

Popular columnist and anchor Yair Lapid wrote in the mass-circulation, pluralist Yediot Aharonot: "The Israeli instinct is that if force doesn't work, then more force should be used.... [Quite the opposite,] the only thing that can be done at present is to try to turn the wheel back by one month."

Gilad Sharon, son of former prime minister Ariel Sharon, wrote in the mass-circulation, pluralist Yediot Aharonot: "We must fight to win, but without unnecessary risks to our troops. Better for an entire neighborhood in Gaza to become ruins than to hold funerals for our soldiers."

Conservative contributor Menachem Ben wrote in the popular, pluralist Maariv: "It is impossible for Israel to mind Palestinian 'territorial contiguity' and to dump Israeli 'territorial contiguity.'"

Block Quotes:

II. "Start from the End"

The independent, left-leaning Ha'aretz editorialized (1/17): "In recent days, the seven-year-old war of attrition in southwestern Israel has intensified.... The military operation the Palestinian groups seek to draw Israel into will not be measured only by whether it removes the immediate threat. No military operation exists outside of a political context, and in the case of Gaza, the operation will not end if it is not preceded by sufficient preparations for a political solution.... In essence, two elements are necessary. One needs to be Palestinians: The Palestinian Authority.... Its interlocutor is Palestinian President Mahmoud Abbas, and the Gaza Strip must be surrendered to him. The second element must be the ability to secure the Egyptian border.... An international force is required, including a military component (preferably Jordanian), along with American, European, and other units.... While the IDF is preparing for the operation, the government must focus on preparing the ground for a political move at its conclusion. Until Ehud Olmert, Tzipi Livni, and Ehud Barak do this, they must not send the IDF into the Gaza Strip."

II. "Reduce the Fire"

Popular columnist and anchor Yair Lapid wrote in the mass-circulation, pluralist Yediot Aharonot (1/17): "The Israeli instinct is that if force doesn't work, then more force should be used.... This is not just irresponsible, it is also dangerous. According to all the IDF scenarios going into Gaza may well entail scores of casualties. This is an unacceptable number... Less than a month ago Hamas tried to broadcast in every manner possible ... that it was offering us a cease fire. Minister [Binyamin, a.k.a. Fuad] Ben Eliezer went on the radio almost immediately to express his support for the idea. Those familiar with the relationship between Ben Eliezer and Ehud Barak were well aware that it was reasonable to suppose that the Minister of Defense was speaking from Fuad's perpetually hoarse throat. So why did it not happen? Because we applied too much pressure, because Hamas has no real control over what is happening on the ground, because that's how things are in this insane region of ours.... The only thing that can be done at present is to try to turn the wheel back by one month: to calm things down, reduce the fire, use mediators, ask the criteria committee politely to hurry things up a bit so that we can put together the Shalit deal, and restore Gaza and Sderot to their usual abnormal state. It won't be good, but it will be a little bit better than now."

III. "An Extreme Situation Deserves an Extreme Solution"

Gilad Sharon, son of former prime minister Ariel Sharon, wrote in the mass-circulation, pluralist Yediot Aharonot (1/17): "The pressure employed by the terror organization [Hamas] on our civilian

population is unacceptable and must be responded to with extraordinary pressure on their population whose support is the main oxygen and fuel for terror. Even if ultimately we are compelled to embark on a large-scale operation in Gaza, we must not treat it like a surgical operation of microscopic accuracy. We must call on the non-fighting population to evacuate. We must fight to win, but without unnecessary risks to our troops. Better for an entire neighborhood in Gaza to become ruins than to hold funerals for our soldiers. All resistance must be pulverized and crushed before our forces enter and this -- as all Gazans will agree -- is less desirable than sitting by candle light. The Gazans must be told: 'We will have quiet. You can choose if this will come about by your sitting in the dark or by turning your houses into rubble.' The dilemma should be theirs. Let them choose how quiet should be brought about."

IV. "Our Swiss Cheese"

Conservative contributor Menachem Ben wrote in the popular, pluralist Maariv (1/17): "George Bush's comment, following Ariel Sharon's, that is not possible for the Palestinians to have a state shaped like a Swiss cheese full of holes (the Israeli settlements) was almost universally accepted in Israel.... But, even within the Green Line's borders, Israel is more 'punctured' than Judea and Samaria [i.e. the West Bank], to say nothing of Gaza, which has become judenrein [free of Jews] after all of its Swiss holes [the Gaza settlements] were abandoned with awful brutality. [Avigdor] Lieberman is totally right about this: It is impossible for Israel to mind Palestinian 'territorial contiguity' and to dump Israeli 'territorial contiguity.'"

12. Israeli Politics:

Summary:

The conservative, independent Jerusalem Post editorialized: "It should be obvious that Labor will only continue to lose more of the public's confidence if it clings to Olmert's sinking political ship."

Liberal columnist Larry Derfner wrote in The Jerusalem Post: "Between the dual effect of Palestinian terror and Israeli prosperity, Netanyahu's worldview has taken over politics in this country during the two years since the last election.... What I once thought of as right-wing demagoguery has become, in the present conditions, common sense."

Block Quotes:

1I. "Barak's Promise"

The conservative, independent Jerusalem Post editorialized (1/17): "The current combination of a leadership crisis created both by the sudden incapacitation of Ariel Sharon and the collapse in confidence in his successor and external challenges would seem to warrant an emergency coalition of national unity under a new prime minister. What is already clear, even before the final Winograd Report, is that the worst option is a continuation of the status quo. While Olmert himself bears primary responsibility for not drawing the personal conclusions that Dan Halutz and Amir Peretz eventually did, it is Ehud Barak who is now sustaining Olmert's coalition. Barak and the Labor Party leadership apparently fear new elections, in which polls indicate that the party would lose seats. But it should be obvious that Labor will only continue to lose more of the public's confidence if it clings to Olmert's sinking political ship.

If Barak can succeed in engineering Olmert's resignation without new elections, that might be preferable, but Labor must not sustain this government just to avoid going to the polls. [Avigdor] Lieberman kept his commitment; Barak should keep his promise to the public as well."

II. "The Three Bibis"

Liberal columnist Larry Derfner wrote in The Jerusalem Post (1/17): "There's no controversy anymore. Between the dual effect of Palestinian terror and Israeli prosperity, Netanyahu's worldview has taken over politics in this country during the two years since the last election.... So -Q who do you want for prime minister? When it comes to the Bibi-ization [Bibi is Netanyahu's nickname] of Israeli of policy toward Gaza and the West Bank, I blame the Palestinians. They didn't have to keep firing Qassams after we got out of Gaza, but they did, and now even an old leftist like me is unwilling to get the IDF out of the West Bank for fear that the Palestinians will rocket Ben-Gurion Airport like they're rocketing Sderot. What I once thought of as right-wing demagoguery has become, in the present conditions, common sense. As for peace negotiations, they can't go anywhere as long as the Palestinian Authority can't or won't control terror, and the PA can't or won't. On security, then, the debate in Israel is no longer between hawks and doves, but between hawks and super-hawks."

JONES